BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC SERVICE TO ELECTRIC CUSTOMERS IN THE STATE OF IDAHO	CASE NO. IPC-E-03-13

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

PHIL A. OBENCHAIN

Q. Please state your name and business address.

A. My name is Phil A. Obenchain, and my business address is 1221 West Idaho Street, Boise, Idaho.

Q. By whom are you employed and in what capacity?

A. I am employed by Idaho Power Company as a Senior Pricing Analyst in the Pricing and Regulatory Services Department.

Q. Please describe your educational background and professional experience.

A. In May of 1979, I received a Bachelor of Arts Degree in Economics from Boise State University in Boise, Idaho.

In August of 1979, I was employed as an Economic Research Assistant with Idaho First National Bank (presently U. S. Bank).

In August of 1981, I left Idaho First to attend the University of Idaho in Moscow, Idaho to pursue a Masters of Science Degree in Economics, with emphasis in Regulatory Economics. I completed the necessary course work in the spring of 1982.

In January of 1983, I accepted the position

of Pricing Analyst with Idaho Power Company. My duties as Pricing Analyst include the preparation of cost-of-service information for use in the development of jurisdictional separation studies and class cost-of-service studies. More specifically, I am responsible for gathering and analyzing data from various sources to carry out cost-of-service related analyses as required by the three jurisdictions regulating Idaho Power Company.

I was the Company's revenue requirement witness before this Commission in Case No. IPC-E-94-5 and testified on the earnings test results as part of Case No. IPC-E-97-12. In addition, I have sponsored testimony before the Oregon Public Utility Commission in Case UE 92 on the Oregon jurisdictional revenue requirement.

Q. What is the scope of your testimony in this proceeding?

A. I am sponsoring testimony in this proceeding on the Idaho jurisdictional revenue requirement resulting from the Jurisdictional Separation Study (JSS).

My testimony is outlined as follows:

First, I am offering testimony summarizing the adjustments to total system test year data used by the

Company for purposes of restating the Company's rate base, revenues, and expenses for the 12 months ending December 31, 2003.

Second, I am offering testimony relative to the preparation of a jurisdictional separation study prepared using the adjusted total system data for the 12 months ending December 31, 2003 for the purpose of determining the Idaho jurisdictional revenue deficiency.

Q. Have you prepared or supervised the preparation of various exhibits for this proceeding?

A. Yes. I have prepared or supervised the preparation of the following exhibits:

EXHIBIT	TITLE
Exhibit No. 21	Summary of Total Rate Base and Net Income Adjustments
Exhibit No. 22	Summary of Adjustments – Electric Plant In Service
Exhibit No. 23	Summary of Adjustments – Accumulated Provision for Depreciation and Amortization
Exhibit No. 24	Summary of Adjustments – Additions and Deductions to Rate Base

Exhibit No. 25	Summary of Adjustments – Operating Revenues
Exhibit No. 26	Summary of Adjustments – Operation and Maintenance Expenses
Exhibit No. 27	Summary of Adjustments - Depreciation and Amortization Expense
Exhibit No. 28	Summary of Adjustments – Taxes Other Than Income Taxes
Exhibit No. 29	Summary of Adjustments – Income Taxes
Exhibit No. 30	Jurisdictional Separation Study – Idaho Revenue Requirement
Exhibit No. 31	Development of Jurisdictional Allocation Factors

Q. Please describe Exhibit No. 21.

A. Exhibit No. 21 consists of two pages and identifies the development of the adjusted total electric system rate base and the development of net income for the 12 months ending December 31, 2003. The 2003 test year values contained in column 1 of Exhibit No. 21 are the unadjusted test year amounts. The adjustments proposed by the Company for purposes of developing the 2003 adjusted total electric system combined rate base and net income for

this proceeding are shown in columns 2 through 5 of Exhibit No. 21. The unadjusted test year information and adjustments, except as otherwise noted, were provided to me by Ms. Smith. The total system adjusted test year rate base, expenses and revenues are summarized in column 6 of Exhibit No. 21.

Page 1 of Exhibit No. 21 summarizes the development of rate base components for the 12 months ending December 31, 2003. The total combined rate base prior to adjustments is $1,752,511,220 as seen on line 24 in column 1 on page 1 of Exhibit No. 21. The total combined rate base is reduced to $1,673,283,777, after all test year adjustments have been included, and can be seen on line 24 in column 6 on page 1 of Exhibit No. 21.

Page 2 of Exhibit No. 21 presents the development of the total system net income for the 12 months ending December 31, 2003. Operating revenues are summarized on line 31 in columns 1 through 6. Total operating expenses are summarized on line 42 in columns 1 through 6. The resulting net income is summarized on line 46 in columns 1 through 6. Net income increases from the test year level of $65,895,300 to $81,433,150 after all

ratemaking adjustments have been included.

Q. Please describe the total test year 2003 rate base, expenses and revenues found in column 1 of Exhibit No. 21.

A. Total test year amounts, before adjustment, are presented in column 1 of Exhibit No. 21. With the exception of test year firm operating revenues and test year power supply expenses, the amounts in column 1 were provided to me by Ms. Smith. Firm operating revenues, line 29, are calculated utilizing (1) 2003 normalized test year sales provided by the Company's Power Supply Planning department, and (2) the current base rates. The test year values for the Company's power supply accounts (Surplus Sales Revenues – Account 447, Fuel – Accounts 501 and 547, Market Purchases – Account 555.1 and Purchases from Qualifying Facilities – Account 555.2) are the account balances from the most recent PCA filing provided to me by Mr. Said. A summary of these accounts is presented by FERC Account on lines 48 through 55 on page 2, of Exhibit No. 21.

Q. Why have the 2003 test period rate base, revenues, and expenses of the Company been adjusted?

A. Test year information is adjusted to reflect known changes to the test year data for determining the Company's rates. In this way, rates will reflect the most current cost information available at the time those rates become effective.

Q. Please explain what types of ratemaking adjustments are made for the development of the Idaho jurisdictional revenue requirement?

A. Ratemaking adjustments are generally one of three types. First, normalizing adjustments are made to those items that are influenced by weather. Mr. Said discusses the normalization of the Company's Net Power Supply Expenses in his testimony in this proceeding. Normalizing adjustments are shown in column 2 of Exhibit No. 21.

Second, annualizing adjustments are made to reflect changes that occur within the test year, but need to be incorporated for the full year on an ongoing basis. Annualizing adjustments are shown in column 3 of Exhibit No. 21.

Third, known and measurable adjustments proposed in this filing reflect changes that will occur

after December 31, 2003, but prior to or coincident with the effective date of the new rates. Known and measurable adjustments are shown in column 4, Exhibit No. 21.

Q. Please discuss the annualizing adjustments to the rate base components summarized in column 3 of page 1 of Exhibit No. 21.

A. The first annualizing adjustment in column 3 on page 1 of Exhibit No. 21 is an increase of $6,621,907 to production plant in service investment, line 9, for the rewind of Bridger Unit No. 3. The second is an increase of $13,157,482 to transmission plant in service, line 10, for the Brownlee-Oxbow transmission line. The last is an increase of $1,709,301 to Accumulated Provision for Depreciation to capture plant at the end of 2003. The above adjustments were provided to me by Ms. Smith.

Q. Please discuss the known and measurable adjustments to rate base presented in column 4 on page 1 of Exhibit No. 21?

A. The first is an increase of $18,388,690, line 10, to transmission plant in service investment for upgrades to the Brownlee-Oxbow transmission line and the Star, Vallivue, Midrose and Goshen (345 capacitor bank)

transmission stations. The investment amounts were provided to me by Ms. Smith. The second is an increase of $3,211,822 to the accumulated provision for depreciation reserve associated with one-half of the annualized depreciation expense adjustment that was also provided to me by Ms. Smith. The last known and measurable adjustment is a reduction of $2,076,923 to IERCO subsidiary rate base associated with the revaluation of prior year contingent tax reserves and a true-up of deferred tax related to prior years. This adjustment was provided to me by the Company's Tax Department.

Q. Have you included any other adjustments to rate base other than the annualizing and known and measurable adjustments?

A. Yes, other adjustments to rate base are presented in column 5 on page 1 of Exhibit No. 21.

Q. Please describe the other adjustments shown in column 5 on page 1 of Exhibit No. 21.

A. The three adjustments shown in column 5 on page 1 of Exhibit No. 21 are:

1. A reduction to production plant of $1,577,314 to reverse the amount booked in

2003 for Asset Retirement Obligation (ARO) provided to me by Ms. Smith.

2. An increase of $106,204,452 to Accumulated Deferred Depreciation to reverse amounts booked in 2003 associated with ARO, as provided by Ms. Smith.

3. A reduction of $2,615,452 to Fuel Inventory to reflect current operating criteria that result in the required coal inventory of 140,000, 90,000 and 30,000 tons at Bridger, Valmy and Boardman, respectively. The fuel inventory adjustment was provided by Mr. Said.

Q. Please recap the net effect of the annualizing, known and measurable, and other adjustments to rate base.

A. After the annualizing, known and measurable, and other adjustments are included, the adjusted total electric system combined rate base for the 12 months ending December 31, 2003, as shown on line 24 in column 7 of page 1 of Exhibit No. 21, is $1,673,283,777. This amount is $79,227,443 less than the unadjusted number in column 1.

Q. Please describe page 2 of Exhibit No. 21.

A. Page 2 of Exhibit No. 21 shows the development of the adjusted total electric system net income for the 12 months ending December 31, 2003.

Q. Please describe the Company's normalizing adjustments to the net income components shown in column 2 on page 2 of Exhibit No. 21.

A. The normalizing adjustments in column 2 on page 2 of Exhibit No. 21 consist of the following two adjustments:

1. An increase to Operating Revenues in the amount of $14,562,765 reflects the increased level of opportunity sales associated with multiple historical water conditions provided and discussed by Mr. Said in his testimony in this proceeding.

2. A reduction to Operation and Maintenance Expense in the amount of $42,122,055 reflects the decreased fuel and purchase power expenses associated with multiple historical water conditions as quantified and discussed by Mr. Said in his testimony

in this proceeding.

Q. Please explain the Company’s annualizing adjustments to the statement of income in column 3 on page 2 of Exhibit No. 21.

A. The annualizing adjustments to the income component shown in column 3 on page 2 of Exhibit No. 21 are made to reflect changes to expenses and revenues, occurring within the test year that should be included for a full year.

Q. Were there any annualizing adjustments to the operating revenues of the Company?

A. Yes. A reduction of $72,871 was made to other operating revenues to reflect changes to facility charge revenue as provided and discussed by Ms. Brilz in her testimony in this proceeding.

Q. Please describe the annualizing adjustments made to the operating expenses of the Company.

A. The annualizing adjustments to the Company's operating expenses were provided to me by Ms. Smith and consist of the following three adjustments presented in column 3 on page 2 of Exhibit No. 21:

1. An increase of $3,256,361 to Operation and

Maintenance Expenses (O&M), which consists of: (1) an increase to specific O&M expense accounts to reflect an annualized Payroll adjustment of $2,913,244; (2) an increase to Property and Liability Insurance of $389,417; and (3) a reduction to Account 908, Customer Assistance, of $46,300 related to the expiration of DSM amortization in Oregon. This last adjustment has no impact on the Idaho jurisdictional revenue requirement.

2. An increase to Depreciation Expense, Account 403, of $3,418,600, which reflects the 2003 annualized depreciation.

3. An increase of $120,655 to Taxes Other Than Income Taxes to reflect the property tax impact of the annualized plant additions.

Q. Please explain the known and measurable adjustments to the statement of income presented in column 4 on page 2 of Exhibit No. 21.

A. The known and measurable adjustments to the statement of income components reflect the following:

1. An increase of $8,930,300 to Firm Sales Revenues resulting from an increase to the level of Opportunity Sales – Account 447 provided by Mr. Said.

2. An increase of $346,171 to Other Operating Revenues resulting from a change to Pole Attachment Revenues – Account 456 reflecting 2004 Cableone contract revenues provided to me by Ms. Smith.

3. An increase in Operation and Maintenance Expenses of $18,185,548 that is composed of two primary adjustments: the first, an increase of $8,269,427 in accounts 501, 547 and 555, which reflect the increased levels provided by Mr. Said, and the second, an increase to Operation and Maintenance Expenses other than power supply expenses of $9,916,121 provided to me by Ms. Smith.

4. An increase to Depreciation Expense of $6,423,645 to reflect the additional depreciation expense associated with the known and measurable adjustments to electric

plant in service provided to me by Ms. Smith.

5. An increase to Taxes Other Than Income Taxes of $112,171 for Property Taxes associated with the known and measurable adjustment to Electric Plant In Service provided to me by Ms. Smith.

6. A reduction to IERCO operating income of $5,291,270 provided to me by the Company's Tax Department

Q. Please explain the other adjustments presented in column 5 on page 2 of Exhibit No. 21.

A. Other system adjustments proposed by the Company consist of the following:

1. An increase to retail sales revenues of $665,816, which can be found on line 29 in column 5. In addition, there were two adjustments to other operating revenues: (1) a reduction of $665,816 in Account 454 Facilities Charge Revenues to reflect the change in treatment of facilities charge revenues paid by MICRON under its special

contract retail rate as provided to me by Ms. Brilz, and (2) an increase to Miscellaneous Service Revenue of $907,290 to reflect the Company's revised Service Establishment, Reconnection and Field Collection fees provided to me by Ms. Drake. These two adjustments net to the $241,474 found on line 30 in column 5 on page 2 of Exhibit No. 21.

2. A reduction to Operation and Maintenance Expenses of $475,556 reflecting the sum of three separate components. The first component is an increase to Idaho Rate Case Expense of $4,953. The second component is a decrease of $452,125 to reflect the removal of General Advertising Expense. The final component is a $28,384 reduction to Memberships and Contributions. Advertising Expense and Memberships and Contributions have been disallowed in past orders of this Commission and thus have been removed from the 2003 test year operating expenses. Ms.

Smith provided these adjustments.

Q. Are there any additional adjustments to the test year actual data that should be mentioned?

A. Yes. The impacts to Federal and State income taxes paid resulting from the ratemaking adjustments discussed above were provided to me by the Company's Tax Department and are shown on lines 40 and 41 on page 2 of Exhibit No. 21.

Q. Please describe Exhibit No. 22.

A. Exhibit No. 22 consists of 2 pages and provides greater detail of the adjustments to the Company's Electric Plant In Service, by FERC account, used in this proceeding.

Q. Please describe Exhibit No. 23.

A. Exhibit No. 23 consists of 2 pages and provides greater detail of the Accumulated Provision for Depreciation and Amortization Reserve.

Q. Please describe Exhibit No. 24.

A. Exhibit No. 24 is a two-page exhibit, which provides greater detail of other additions to or deductions from the Company's total combined rate base.

Q. Please describe Exhibit No. 25.

A. Exhibit No. 25 is a one-page exhibit, which summarizes by FERC Account the Company's operating revenues for the test period used in this proceeding.

Q. Please describe Exhibit No. 26.

A. Exhibit No. 26 is a six-page exhibit, which provides greater detail of test year and adjusted test year operation and maintenance expenses for the 12-month period ending December 31, 2003.

Q. Please describe Exhibit No. 27.

A. Exhibit No. 27 is a two-page exhibit, which provides greater detailed information by FERC account of Depreciation and Amortization Expenses used in this proceeding.

Q. Please describe Exhibit No. 28.

A. Exhibit No. 28 is a one-page exhibit, which provides detailed information regarding taxes other than income taxes used in this proceeding.

Q. Please describe Exhibit No. 29.

A. Exhibit No. 29 is a one-page exhibit, which provides a detailed summary of the income tax related adjustments that result in the adjusted tax expenses on lines 40 and 41 of page 2 of Exhibit No. 21. These

adjustments were provided to me by the Company's Tax Department.

Q. Have you prepared an exhibit that sets forth the Idaho jurisdictional revenue deficiency?

A. Yes. I have prepared Exhibit No. 30 titled "Jurisdictional Separation Study – Idaho Revenue Requirement" consisting of 35 pages.

Q. Please discuss the methodology used to jurisdictionally separate costs in the preparation of this study.

A. The cost of providing electric service is measured through the use of test year data as adjusted for the 12-month period ending December 31, 2003.

In order to establish a methodology for separating costs among jurisdictions, a three-step process is generally used. The steps are referred to as classification, functionalization, and allocation of costs. In all three steps, recognition is given to the way in which costs are incurred by relating these costs to the way in which a utility is operated to provide electrical service. The methodology used to separate costs by jurisdiction and calculate the Idaho jurisdictional revenue

requirement in the present case is the same methodology utilized by the Company and accepted by the Commission in previous rate cases.

Q. Would you please briefly explain the meaning of classification, functionalization, and allocation?

A. Classification refers to the identification of costs as being related to one of three components; demand-related, energy-related or customer-related. In addition to classification, costs are functionalized; that is, identified with utility operating functions such as generation, transmission and distribution. Individual plant items are examined and, where possible, the associated investment costs are assigned to one or more operating functions. Once the Company's total system costs are classified and assigned to the appropriate function they may be allocated among jurisdictions.

The process of allocation is merely one of apportioning the total system cost among jurisdictions by introducing allocation factors into the process. An allocation factor is nothing more than an array of numbers, which specifies the jurisdictional value or share of the total system quantity. For example, in the case of

energy-related costs, the allocation factor is annual jurisdictional energy use, adjusted for losses.

Once individual accounts have been allocated to the various jurisdictions, it is possible to summarize these into total utility rate base and net income by jurisdiction. The results are stated in a summary form to measure adequacy of revenues for the jurisdiction under consideration. The measure of adequacy is typically the rate of return earned on rate base, which is compared to the requested rate of return.

Q. How have the various functional plant and cost items been allocated?

A. After classification and functionalization, allocation factors based on demand and energy use were determined. In order to allocate demand-related costs, the average of the 12 monthly coincident peak demands was used. The Company has used this allocation method for jurisdictional separation purposes in all of its retail and wholesale rate applications prepared during the past 25 years. This allocation method has been adopted by this Commission and accepted by the Oregon Public Utility Commission, and the Federal Energy Regulatory Commission.

The demand-related allocation factors used in the study are designated as D10, D11, D60. The respective values used in these demand allocation factors are shown at line numbers 967 through 969 on page 29 of Exhibit No. 30.

Q. What method was used to allocate general plant and certain labor-related administrative and general expenses?

A. In accordance with FERC procedures, general plant and administrative and general expenses have been allocated in accordance with functionalized wages and salaries. These labor-related allocation factors are shown on Table 12 of Exhibit No. 30, pages 23 through 28.

Q. How were the energy-related expenses allocated among jurisdictions?

A. Energy-related expenses were allocated on the basis of normalized jurisdictional kilowatt-hour sales, adjusted for losses so as to establish energy requirements at the generation level. The energy-related allocation factors used in the study are designated as E10 and E100. The respective values used in these energy allocation factors are shown on Table 13 of Exhibit No. 30, page 29 lines 972 & 973, respectively.

Q. What was the method by which you allocated customer-related costs?

A. The principal customer-related expenses, which require allocation, are Account 902, Meter Reading Expenses and Account 903, Customer Accounting and Billing. These accounts were allocated based upon a review of actual Company practices in reading meters and preparing monthly bills or statements.

Q. Please describe the derivation of the 2003 total system allocation factors used in this case.

A. The 2003 Jurisdictional Separation Study utilizes 2002 data for most of the Allocation Factors with some exceptions:

1. Capacity or demand–related allocation factors (D10, D11, and D60) utilized 2002 Coincident Peak information that was adjusted to reflect known changes for 2003, for example the expiration of the UAMPS and Washington City Sales for Resale contracts.

2. Energy-related allocation factors (E10 and E100) are the 2003 normalized test year sales at generation level.

3. The directly assigned revenue accounts were updated to reflect 2003 test year revenues.

4. Finally, the direct assignment of plant accounts 360, 361 and 362 received specific new treatment.

Q. Would you please explain how the direct assignment of accounts 360, 361 and 362 differs in the 2003 Jurisdictional Separation Study from prior studies?

A. Yes. Historically Contributions In Aid of Construction (CIAC) have been treated as a reduction to the total investment in accounts 360, 361 and 362 prior to any allocation of plant and related operation and maintenance expense. Consequently, all customers (jurisdictions) have shared in the benefits of contributions paid by a few.

In order to pass the benefit of the CIAC to the customers (jurisdictions) that made the contribution, accounts 360, 361 and 362 were identified by the net investment and by the net plus CIAC investment. The net plus CIAC amount was then directly assigned to customers (jurisdictions) prior to any reduction for CIAC. In this way the customers (jurisdictions) that make the contribution receive the full credit.

In addition, operation and maintenance expenses resulting from investment in accounts 360, 361 and 362 are related to the total investment and thus allocated by the net plus CIAC investment.

In this way the Idaho jurisdictional costs that are passed to Ms. Brilz for input into the class cost-of-service model will give the proper recognition to the customers who made the contribution.

Q. Please describe the content of Exhibit No. 30.

A. Exhibit No. 30 is the complete Jurisdictional Separation Study detailing allocation of each component of rate base, operating revenues and expenses by FERC account resulting in the Idaho jurisdictional revenue deficiency. The JSS is organized as follows:

Summary of Results

Table 1 - Electric Plant in Service

Table 2 - Accumulated Provision for Depreciation and Amortization

Table 3 - Additions and Deductions to Rate Base

Table 4 - Operating Revenues

Table 5 - Operation and Maintenance Expenses

Table 6 - Depreciation and Amortization Expense

Table 7 - Taxes Other Than Income Taxes

Table 8 - Deferred Income Taxes and ITC

Table 9 - Federal Income Tax

Table 10 - State Income Tax -- Oregon

Table 11 - State Income Tax – Idaho and Other

Table 12 - Development of Labor Allocator

Table 13 - Summary of Allocation Factors

Table 14 - Summary of Distribution/CIAC Allocation Factors

Table 15 - Summary of Allocation Factors-Ratios

Q. Briefly describe the manner in which you allocated Electric Plant In Service as shown in Table 1 of Exhibit No. 30.

A. Production plant has been allocated to all jurisdictions on the basis of the average of the 12 monthly coincident peaks. The allocation of transmission and

distribution plant has been based on the same methodology.

Q. Would you describe the functional categories used for allocation of transmission plant and distribution substations?

A. A description of the functional categories used for allocation of transmission and distribution substations is as follows:

1. Transmission facilities are the facilities that form the bulk power transmission system together with transmission, step-up substation facilities required to introduce the Company's generation into the power supply system, which include facilities rated at 500kv through 46kv.

2. Distribution facilities refer to lower voltage lines and substation facilities that provide localized service.

3. Direct assignments refer to facilities that are identified as serving and paid by a specific customer.

Q. How have you allocated the Accumulated Provision for Depreciation and Amortization of Other

Utility Plant shown on Table 2 of Exhibit No. 30?

A. Accumulated Provision for Depreciation has been allocated among jurisdictions as shown on Table 2 of Exhibit No. 30. The accumulated totals for each type of production plant and for each primary plant account in other functional groups are allocated on the basis of the related plant account as allocated in Table 1. Amortization of Other Utility Plant has been functionalized and then allocated on the basis of the related plant items as allocated in Table 1.

Q. Please describe Table 3 of Exhibit No. 30.

A. Table 3 details the allocation of all other additions to or deductions from rate base. Deductions from rate base include Customer Advances for Construction which have been directly assigned to the customers (jurisdictions) and Accumulated Deferred Income Taxes which are allocated by plant. Additions consist of Materials and Supplies which have been functionalized and allocated by the respective plant allocators; Fuel Inventory which has been allocated on the basis of energy; components of IERCO, the Company's fuel subsidiary which are allocated on the basis of energy; and the Investment in Conservation are all

Idaho programs and directly assigned to the Idaho jurisdiction.

Working Cash Allowance has been excluded from rate base in accordance with the Commission's previous orders.

All rate base items, with the exception of Accumulated Deferred Income Taxes and the Investment in Conservation Programs, reflect the average of 13 monthly balances.

Q. Please describe Table 4 of Exhibit No. 30.

A. Table 4 indicates adjusted Firm Operating Revenues for each jurisdiction for the 12 months ending December 31, 2003. Opportunity Sales represent non-firm energy sales to other utilities, the revenues from which are credited to each jurisdiction in proportion to its generation-level energy usage.

Other Operating Revenues are either allocated among jurisdictions in a manner which offsets related allocations of rate base, or, where a particular revenue item may be identified with a specific jurisdiction, it is directly assigned to the appropriate jurisdiction.

Q. Briefly describe the methods by which O&M expenses were allocated.

A. The allocation of each O&M expense is detailed on Table 5 of Exhibit No. 30. In general, the basis for each allocation may be readily interpreted from the exhibit, due to the fact that in most cases either demands, those identified by a source code beginning with a "D" prefix; energy use, those identified by a source code beginning with an "E" prefix; or related plant, those identified by a line number source code; serve as a basis for the allocation. Customer-weighted allocation factors, "CW", which recognize differences in customer requirements, have been used in the allocation of certain expense accounts.

Q. In what manner are supervision and engineering expenses treated throughout the allocation of O&M expenses?

A. For the applicable expense account in each functional group, the labor component is separately allocated in accordance with the detail provided on pages 25 through 28 of Table 12 of Exhibit No. 30. The total of allocated labor in each functional group becomes the basis

for the allocation of Supervision and Engineering Expense. Total allocated labor expense serves the additional purpose of allocating employee pensions and other labor-related taxes and expenses. Table 12 of Exhibit No. 30 details the development of all the labor-related allocation factors used in this study.

Q. Please describe Table 6 of Exhibit No. 30.

A. The allocation of Depreciation Expense and Amortization of Limited Term Plant is set forth on Table 6. These expenses have been identified by type of production plant or by primary plant account for other functional plant groups. Allocation is then accomplished on the basis of the related plant account as previously allocated.

Q. Please describe Table 7 of Exhibit No. 30, and the allocation of Taxes Other Than Income Taxes.

A. Taxes Other Than Income Taxes are treated individually and are allocated in a manner consistent with the bases by which the respective taxes are assessed.

Q. Please describe Table 8 of Exhibit No. 30.

A. The expenses shown on Table 8 consist of Deferred Income Taxes and the Investment Tax Credit Adjustment. Both have been functionalized and allocated on

the basis of total allocated plant. Also summarized on Table 8 are State and Federal Income Tax liabilities. The income taxes shown on Table 8 as well as Tables 9, 10 and 11 were obtained from the Company's Tax Department.

Q. Please describe how you allocated Federal and State Income Taxes shown on Tables 8, 9, 10 and 11 of Exhibit No. 30.

A. Total income taxes have not been allocated, per se. Instead, the respective tax bases have been developed and taxes have been calculated directly for each jurisdiction. Operating income before taxes represents adjusted operating revenues less all adjusted operating expenses treated heretofore with the exception of deferred income taxes and investment tax credits. Adjusted long-term and other interest expenses are allocated on total plant in order to develop net operating income before taxes. From that point forward, additions to or deductions from the respective tax bases are allocated to each jurisdiction by net income before taxes. In this manner, taxable income for each jurisdiction is developed, and the appropriate tax rate is applied. Final tax amounts result after the allocation of adjustments and tax credits. All

details relating to the calculation of Federal, Oregon, Idaho and Other state income taxes are found on Tables 9, 10 and 11.

Q. Please describe Tables 12, 13, 14 and 15 of Exhibit No. 30.

A. Tables 12, 13, 14 and 15 of Exhibit No. 30 contain a list of the allocation factors used in the Jurisdictional Separation Study. Tables 12, 13, 14 and 15 of Exhibit No. 30 contain the principal allocation factors used in the study and the respective jurisdictional values for each allocation factor. Table 14 of Exhibit No. 30 presents the ratios of the principal allocation factors included in Table 13.

Q. Please describe the development of the Idaho Jurisdictional revenue deficiency.

A. The summary of results is presented on pages 1 and 2 of Exhibit No. 30. The development of the Idaho jurisdictional revenue deficiency is presented in the column entitled “Idaho IPUC” on page 1 of Exhibit No. 30. As can be seen from this exhibit the Idaho net income of $76,855,594 on line 24 results in a return on rate base of 4.967 percent on line 25. Under the rate of return of

8.334 percent provided to me by Mr. Gribble, the Company's Idaho jurisdictional net income should be $128,963,944 on line 30. This results in an earnings deficiency of $52,108,350 on line 31.

Q. What net-to-gross or incremental income tax factor did you use in developing the Idaho jurisdictional revenue deficiency?

A. As indicated on line 33 on page 1 of Exhibit No. 30, I used a composite incremental tax multiplier of 1.642 provided to me by the tax department, which represents the use of the Federal effective tax rate of 32.795 percent, an Idaho effective tax rate of 5.9 percent, an Oregon effective tax rate of 0.4 percent and an Other state effective tax rate of 0.1 percent for purposes of determining the Company's Idaho jurisdictional revenue.

Q. What is the resulting Idaho jurisdictional revenue deficiency?

A. The results of the Jurisdictional Separation Study as shown on line 34 on page 1 of Exhibit No. 30, indicate a total revenue deficiency of $85,561,910 for the Idaho Retail Jurisdiction. This represents a required 17.68 percent increase in normalized Idaho

jurisdictional revenues.

Q. Please describe Exhibit No. 31.

A. Exhibit No. 31 is a six-page exhibit, which provides a summary of allocation factors used in this proceeding.

Q. Does this conclude your testimony?

A. Yes, it does.